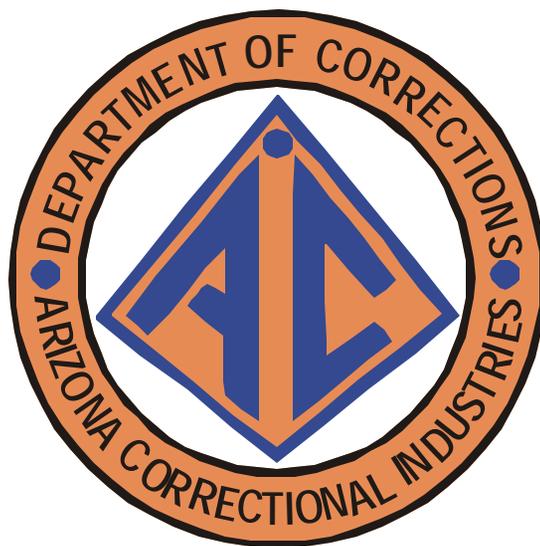


# ARIZONA CORRECTIONAL INDUSTRIES



**FISCAL YEAR 2000**

**ANNUAL REPORT**

## Arizona Department of Corrections



THE GREAT BEGINNING  
ENDING THE OLD WAY  
BEGINNING



Terry L. Stewart, Director  
Arizona Department of Corrections  
1601 West Jefferson  
Phoenix, Arizona 85007

Dear Director Stewart:

On behalf of the staff of Arizona Correctional Industries (ACI), I am pleased to present the *Annual Report for Arizona Correctional Industries for Fiscal Year 2000*.

This year our annual report features ACI Public and Private Sector Partnerships. ACI and our Contract Partners create a unique and mutually beneficial relationship between state government and private enterprise. These Partnerships skillfully meld the vision of the business with the mission of the Arizona Department of Corrections, while simultaneously supporting the Governor's goals for economic prosperity. ACI added four new Partnerships this fiscal year and experienced a 43 percent increase in associated revenues. In addition, there was a 20 percent increase in the number of inmate workers assigned to Partnership jobs. This increased number of inmate workers resulted in a 36 percent increase in mandatory inmate wage deductions and contributions for such purposes as taxes, cost of incarceration, family support, restitution, and victim's compensation. ACI is proud to focus on these Partnerships and their growing contribution to Arizona private businesses, the Arizona Department of Corrections, and the State of Arizona.

In terms of other progress in industry operations, ACI successfully managed a number of significant changes during Fiscal Year 2000, including the relocation of a Garment Factory from ASPC-Tucson to ASPC-Perryville and the transition to an all female inmate work crew in the

Terry L. Stewart, Director  
Page 2

Graphic Arts Division. I am happy to report that all the changes were accomplished while maintaining production requirements and meeting customer expectations and needs. ACI remained financially self-sufficient this year, and again achieved an increase in both revenues and inmate workers.

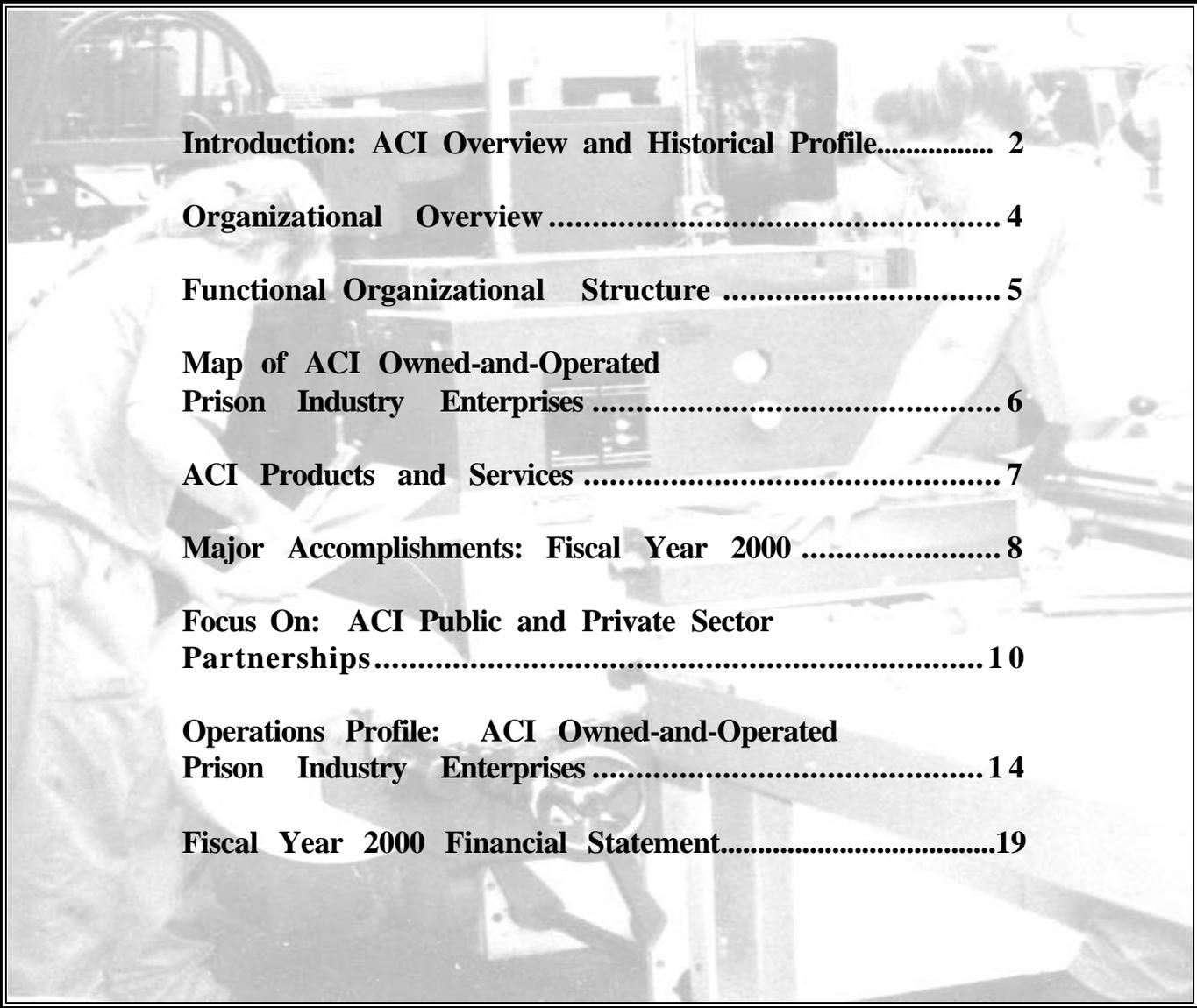
In an economic impact assessment of ACI, the Arizona State University Center for Business Research reports that ACI operations contributed directly and indirectly to the economy of the State of Arizona through expenditures for materials, supplies, and outside services totaling nearly \$14.1 million. Staff salaries alone amounted to \$2.7 million for the year, creating more than \$2.4 million in demand for goods and services. ACI expenditures also resulted in further indirect economic impact, including the creation of 319 new jobs and a corresponding \$14.5 million for additional goods and services. In addition, ACI contributed \$1 million of its earnings to the State General Fund.

In the coming year, ACI will actively pursue additional Public and Private Sector Partnerships as a means of further continuing the expansion and enrichment of our work programs. As always, these endeavors shall be undertaken consistent with our mission, the Department's vision for the future, and our mandate of financial self-sufficiency.

Sincerely,

John J. Spearman  
Assistant Director

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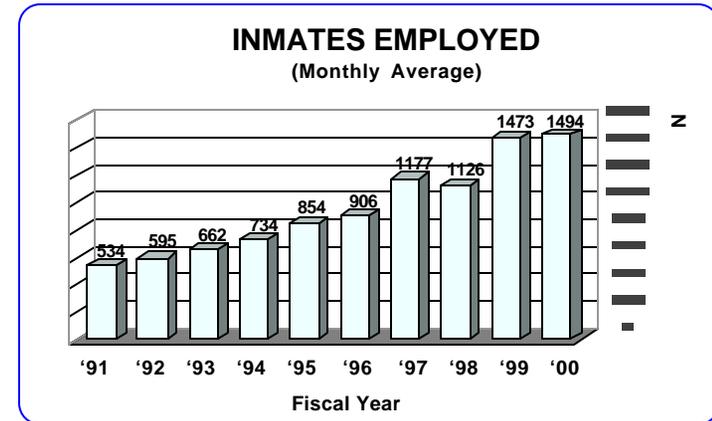
## INTRODUCTION:

# ACI Overview and Historical Profile

**D**uring Fiscal Year 2000, inmates employed by Arizona Correctional Industries (ACI) worked more than 2.2 million hours. The tangible and intangible benefits accrued during that time - hour by hour - attest to the significant contribution ACI makes within the institutions, the Arizona Department of Corrections, and the State of Arizona.

### *How do ACI jobs benefit inmates?*

Many inmates enter prison lacking the basic job skills and work habits necessary for success. — Through its diverse operations and programs, ACI provides inmates with the chance to learn marketable job skills, to develop a sound work ethic, and to experience self-confidence and pride in their work. — By providing a work environment similar to that which is found in free society, ACI work programs offer inmates the opportunity to acquire the knowledge and behavior necessary to return to the community as law-abiding and productive citizens. — Inmates accumulate mandatory savings from their wages to further assist them with their transition back into society.

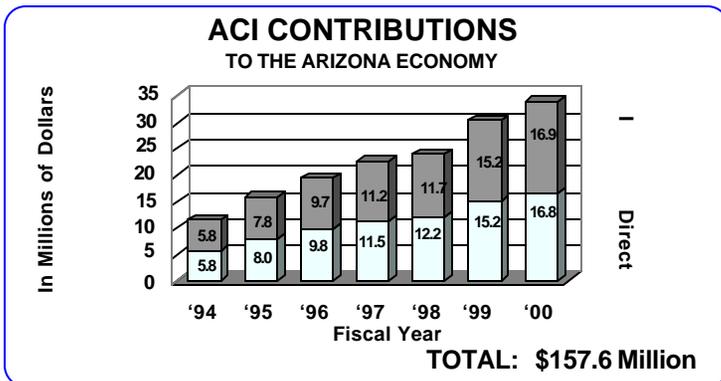


### *How does ACI assist the institutions?*

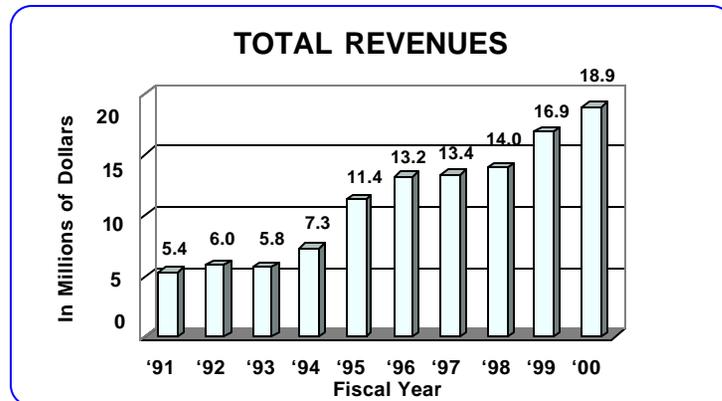
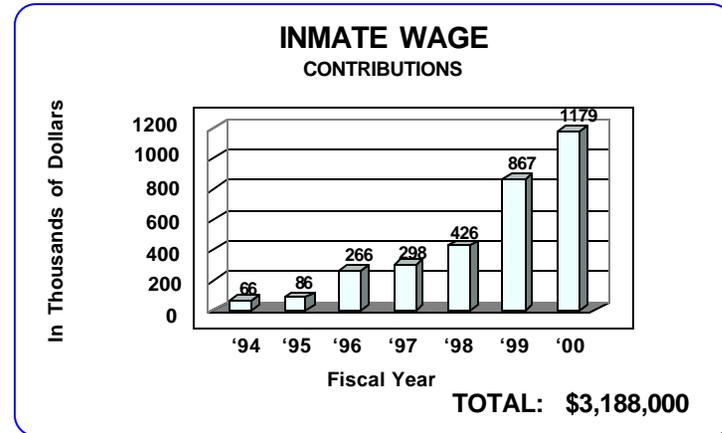
ACI represents a very important and beneficial prison operations program. Prison industry work programs assist prison administrators in the day-to-day management of prisons. Naturally combating inmate idleness and reducing costly disruptive behavior, prison industries significantly contribute to the maintenance of safe and secure environments for staff and inmates. — Because ACI positions are the most desirable and highly sought-after jobs within the prison system, assignment to an ACI job is perceived as a privilege that inmates must earn and maintain. These jobs serve as a major incentive for inmates to comply with institutional requirements. They simultaneously provide administrators with a valuable program of rewards for inmates who exhibit successful attitudes and behaviors. — ***For each inmate who is employed by ACI, there are one or more who would like to be. As a result, the positive impact on behavior in the inmate population is exponential.***

## What impact does ACI have on the State of Arizona?

ACI is a fiscally self-sufficient division of the Arizona Department of Corrections that operates **without financial support from the taxpayers**. The division functions entirely on revenues generated from its businesses and related activities. — ACI provides for substantial financial deductions/contributions from inmate wages to be used for such purposes as taxes, the cost of incarceration, victim's compensation, restitution, dependent financial assistance, special inmate programs, and mandatory savings. These mandatory deductions/contributions benefit taxpayers, victims of crime, inmate families, and the individual inmate. — ACI makes significant financial contributions to the state economy through its operations. During the past 7 years, ACI has added more than \$157 million to the Arizona economy as a direct and indirect impact of its enterprises. During that same time, ACI's indirect contribution also created the demand for 1,645 new jobs in the community. — ACI has contributed \$2 million from its earnings to the State General Fund during the past two years. This use of ACI revenues represents a direct and significant contribution to the prosperity of Arizona's economy.



*Direct contributions represent expenditures for goods and services, and staff compensation. Indirect contributions represent demand for goods and services created by ACI operations and enterprises.*



## Who are ACI's customers? What do they gain?

Consistent with its enabling legislation, tax-supported entities remain ACI's primary customers. ACI facilitates more cost-effective use of taxpayer dollars by offering a wide selection of quality products and services to meet the needs of the Department of Corrections, other state agencies, counties, political subdivisions, and schools. — ACI has forged successful partnerships with other state agencies and local governments to provide inmate labor for their operations. As a result, ACI helps to reduce the cost of their operations, while enabling them to increase the timeliness and quality of the service they provide to their customers - *the taxpayers of Arizona*.

# ORGANIZATIONAL OVERVIEW

Arizona Correctional Industries reports to the Director of the Department of Corrections through the Deputy Director of Prison Operations. This structure ensures that ACI activities complement those of Prison Operations and allows for maximum coordination between ACI and the prisons. In addition, ACI's strategic plans are developed in alignment with Prison Operations' goals, to contribute to their achievement.

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## *ACI MANAGEMENT TEAM*

In conjunction with its formal organizational structure, ACI's business and financial operations are periodically reviewed by the ACI Management Team, comprised of the following members:

**Chair:** Terry L. Stewart, *Director* of the Arizona Department of Corrections (ADC)  
**Members:** Charles L. Ryan, *Deputy Director* of ADC Prison Operations  
Richard G. Carlson, *Deputy Director* of ADC Administration  
Michael J. Smarik, *Assistant Director* of ADC Administrative Services Division  
Frank Nageotte, *Retired President* of Greyhound/Dial Corporation

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## *ACI FUNCTIONAL ORGANIZATIONAL STRUCTURE*

Structured along the lines of a traditional private enterprise, ACI industries and related activities are directed through two administrative units and three operational bureaus:

**Administrative Services:** The Administrative Services Unit provides support for all administrative functions of the division, including all matters related to planning, personnel, legal affairs, and public information.

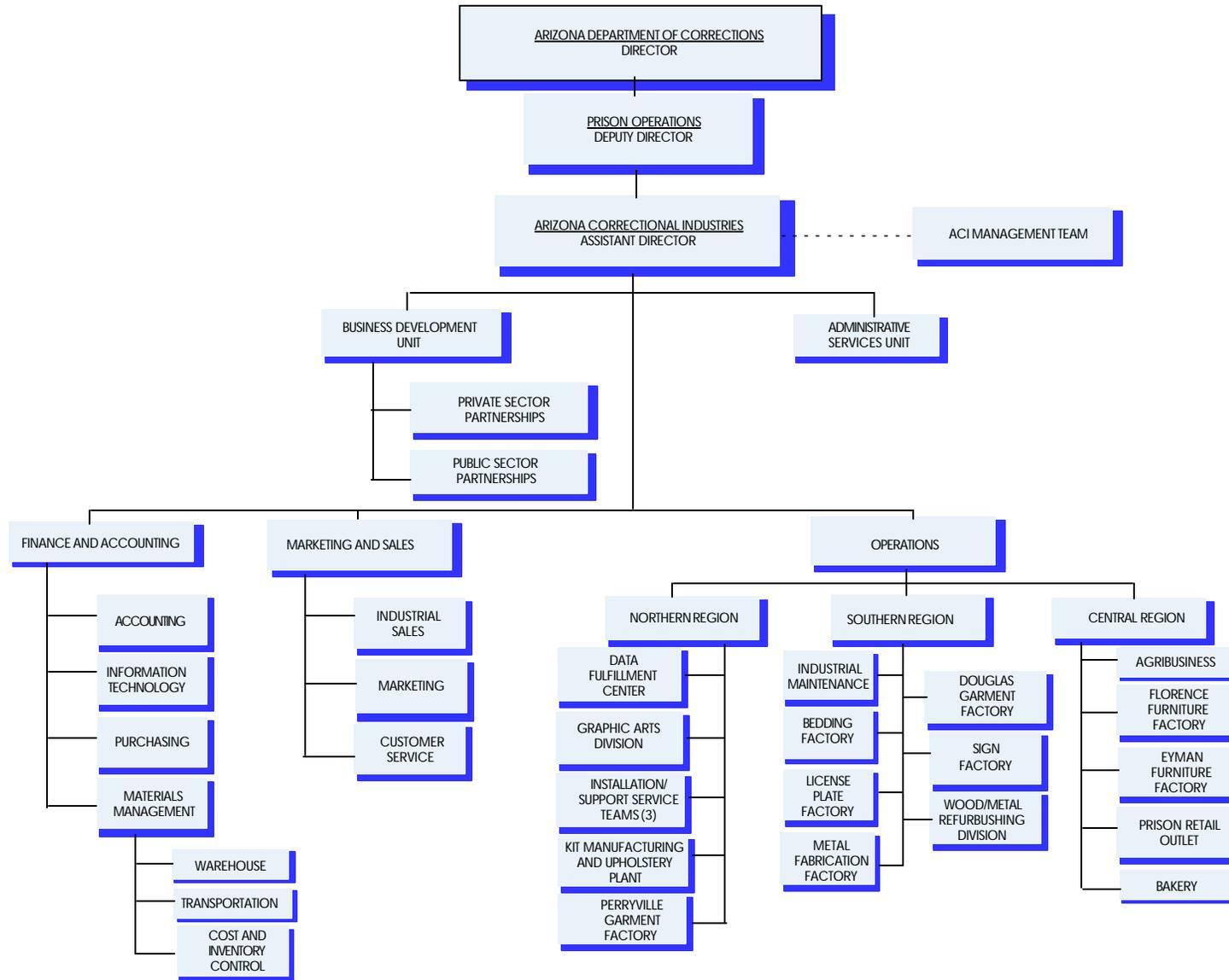
**Business Development:** The ACI Business Development Unit has primary responsibility for the development and maintenance of ACI Public and Private Sector Partnerships. These ACI Partnerships provide for the use of inmate labor in the manufacture of goods and/or provision of services. The ACI Business Development Unit administers and manages the division's Partnership programs by developing contracts and monitoring compliance with strict laws, rules, and regulations.

**Finance and Accounting:** The Finance and Accounting Bureau is assigned specific responsibility for an assortment of the division's administrative, financial, and support functions through four units: accounting, information technology, purchasing, and materials management.

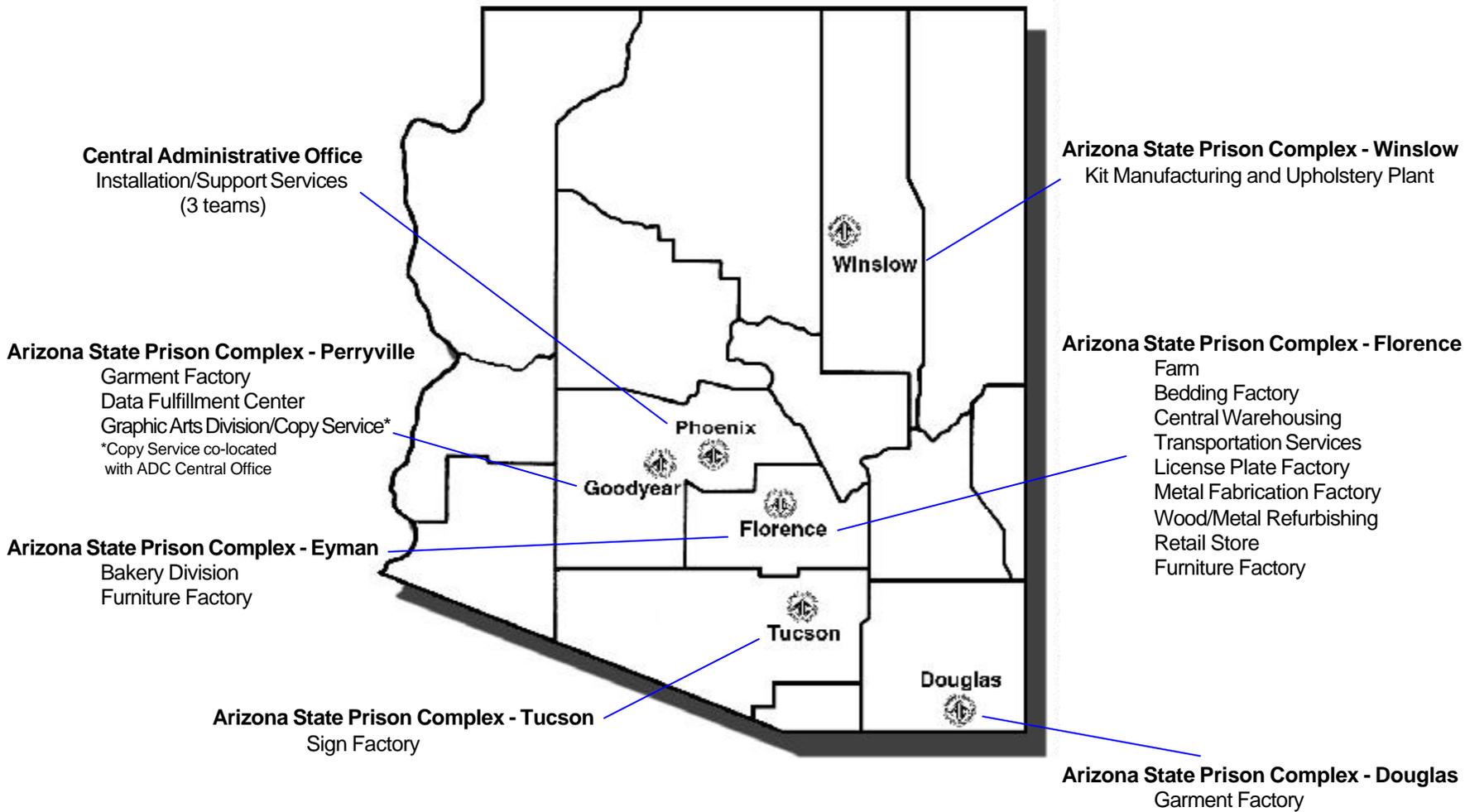
**Marketing and Sales:** The Marketing and Sales Bureau has responsibility for the overall activities associated with generating business and providing customer service. The bureau operates with a staff of industrial sales representatives and a customer service unit.

**Operations:** The Operations Bureau is divided into three geographic regions. Region Operations Managers are responsible for all ACI manufacturing and production facilities and activities located within their regional area of responsibility. The Operations Bureau Administrator and Region Operations Managers work closely and in full partnership with prison administrators and their institutional staff located throughout the state.

# FUNCTIONAL ORGANIZATIONAL STRUCTURE



# MAP OF ACI OWNED-AND-OPERATED PRISON INDUSTRY ENTERPRISES



# ACI PRODUCTS AND SERVICES

## OFFICE FURNISHINGS

- Modular Office Systems
- Desks & Credenzas
- Bookcases
- Modular Seating
- Executive Sofas & Chairs
- Ergonomic Seating
- Conference Tables
- Storage & Coffee Cabinets

## PARK & RECREATION EQUIPMENT

- Picnic & Game Tables
- Benches
- BBQ Grills
- Bicycle Racks
- Lantern Hangers
- Campfire Rings

## DETENTION FURNISHINGS

- Security Cots & Bunks
- Dining Tables
- Wall-Hung Desks & Seats
- Stools & Benches

## LICENSE PLATES

- Standard & Novelty

## BEDDING

- Pillows
- Inner Spring Mattresses
- Box Springs
- Institutional Mattresses

## DATA PROCESSING FURNITURE

- Data Tables
- Keyboard Tables
- Printer Tables
- Bi-Level Work Stations
- Operator L-Desks

## ENGRAVING

- Name Plates & Badges
- Office Signs
- Desk & Wall Holders
- Award Plaques

## LOUNGE & DORM FURNITURE

- Sofas & Chairs
- Coffee & End Tables
- Dinette Tables

## OTHER FURNITURE OPTIONS

- Wood/Metal Refurbishing
- Upholstery

## CUSTOM METAL FABRICATION AND CONSTRUCTION COMPONENTS

## GRAPHIC ARTS

- Letterhead & Envelopes
- Business Cards
- Multi-Part Carbonless Forms
- Business Forms
- Photocopying Services
- Bindery Service

## SIGNS & ACCESSORIES

- Standard & Custom
- Road & Regulatory Signs
- Magnetic Signs
- Acrylic Signs
- Vinyl Lettering
- Silk Screening
- Decals & Bumper Stickers

## ADA SIGNAGE

## NEEDLE TRADES

- Bed Linens
- Work Clothes
- T-Shirts
- Blue Jeans

## SERVICES

- Data Entry, Fulfillment, & Imaging
- Installation & Support
- Labor

## AGRICULTURE

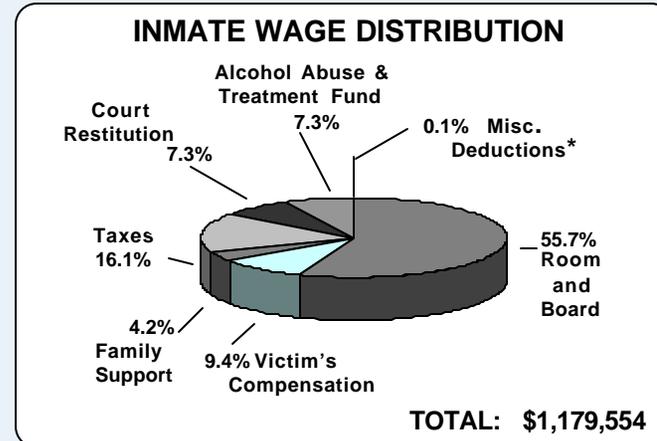
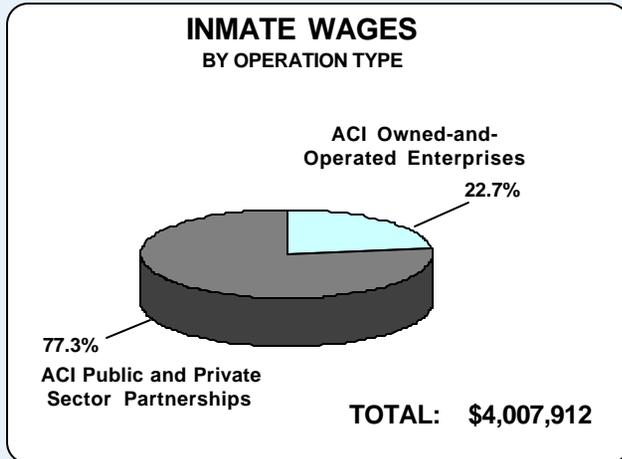
- Crops

# MAJOR ACCOMPLISHMENTS:

# Fiscal Year 2000

*ACI is proud to report the following major accomplishments for Fiscal Year 2000:*

- Realized a net income of **\$1,413,893** from total revenues for goods and services of **\$18,968,546**.
- Maintained **debt-free** operations.
- Acquired and activated a new commercial data entry system and a new laser engraving system **at no cost to the Arizona Taxpayer**.
- Provided daily work opportunities for an average of **1,494** inmates in ACI work programs.
- Paid more than **\$4 million** in inmate wages.
- Collected and returned to the State General Fund a total of **\$657,416** in room and board expenses from inmate wages.
- Collected and disbursed **\$110,426** to the Victim's Compensation Fund from inmate wages.
- Collected and distributed **\$85,729** to the Alcohol Abuse and Treatment Fund from inmate wages.
- Supervised the collection and distribution of federal, state, and FICA taxes of **\$189,598** from inmate wages.



\*Includes such deductions as disciplinary and compassionate restitution and filing fees.

## *Major Accomplishments - Continued*

- Successfully carried out two major transitions while meeting production requirements and customer needs:
  - Replaced trained male inmate workers with two shifts of female inmates in the ACI Graphic Arts Division and still realized a 27 percent increase in sales over last fiscal year.
  - Moved and re-established a garment operation from the Arizona State Prison Complex-Tucson to the Arizona State Prison Complex-Perryville.
- Established four new ACI Public and Private Sector Partnerships:
  - **Adobe Doors** - Inmate workers hand-craft custom doors that are provided to home builders throughout the Phoenix metropolitan area. This program is located within the secure perimeter of the Arizona State Prison Complex-Lewis, Stiner Unit.
  - **Technical Innovation** - Inmates assigned to these telemarketing positions schedule appointments for the company's sales force. The Arizona State Prison Complex-Phoenix, Arizona Center for Women provides the workers for this Partnership.
  - **Eagle Milling** - Inmates from the Arizona State Prison Complex-Florence, Picacho Unit perform essential maintenance, general labor, and loading dock duties for this grain and feed enterprise.
  - **Green Acres** - Inmates provide general labor in support of this organic food operation. Workers are assigned from the Arizona State Prison Complex-Lewis, Bachman Unit.
- In addition to the operational accomplishments noted, ACI had the following economic impact for FY 00, without any appropriated funding:
  - ACI contributed **\$1 million** to the State General Fund from the ACI Revolving Fund for the second year in a row.
  - ACI operations contributed directly and indirectly to the economy of the State of Arizona through expenditures for materials, supplies, and outside services totaling nearly **\$14.1 million**. Staff salaries alone amounted to **\$2.7 million** for the year, creating more than **\$2.4 million** in demand for goods and services.
  - ACI expenditures also resulted in additional indirect economic impact, including the creation of **319** new jobs and a corresponding demand for **\$14.5 million** for additional goods and services.

### **Operations Overview - Fiscal Year 2000**

ACI Owned-and-Operated Enterprises	21
Private Sector Partnerships	16
Public Sector Partnerships	3

## FOCUS ON:

# ACI Public and Private Sector Partnerships

**W**hen an inmate turns a work opportunity into an avenue of success, Arizona Correctional Industries (ACI) has fulfilled its mission beyond the measurable goals of revenues and number of inmate workers. Some of the most promising work opportunities offered by ACI are those created through ACI Public and Private Sector Partnerships. This year's Annual Report features this valuable component of the Correctional Industries program within the Arizona Department of Corrections.

*"If there is not enough opportunity to be responsible or dependable, it makes the transition from prison to the streets a little more traumatic. Somebody has to prepare you for the first step out the gate. This job prepares you to be introduced back into society."*

**Inmate Worker**



## **W**hat are ACI Public and Private Sector Partnerships?

ACI is authorized to enter into two basic types of Partnerships for providing inmate workers. — Through *Public Sector Partnerships*, ACI establishes and operates agreements with other governmental agencies for the employment of inmate labor. — Under *Private Sector Partnerships*, ACI provides inmate workers to private sector businesses engaged in agricultural, service, and/or manufacturing operations. — While these are the best paying jobs available to inmates, inmates employed in these programs are required to contribute a portion of their wages to their cost of incarceration, family support, mandatory savings, victim's compensation, and/or restitution funds.



Greater Auto Auction

Inmates assigned to Partnership jobs worked a total of 810,781 hours during Fiscal Year 2000.

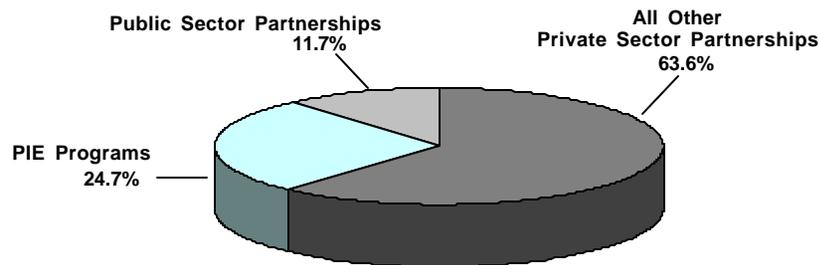
## What types of businesses are most successful as Contract Partners?

Businesses that are unable to meet their work force requirements through the free-world labor market make ideal Contract Partners. In response to difficulty in finding and retaining employees, businesses have turned to the Department of Corrections as a source of dependable and dedicated workers. — ACI has entered into Partnerships with new, established, and expanding businesses. ACI will provide inmate workers for businesses that bring their operation into the prison, and will also dispatch inmate work crews to work at the business location.

*“It [the program] fills the gap in employees caused by constant turnover. With high turnover, there was a higher rate of accidents on the job. There are fewer accidents since we started using inmate workers.”*  
**Contract Partner**

*“Reconditioning is the most difficult part of the business to keep manned. This program has allowed us to do away with that end of it. It’s important not to have turnover. The job is very repetitious, a tough job, monotonous, but if you have the same people, you can count on them and the quality of the work. The quality of the work is an asset to the auction and our customers.”*  
**Contract Partner**

### INMATES EMPLOYED IN PARTNERSHIPS ONLY (Monthly Average)



**TOTAL: 558**

Of the 1,494 inmates employed by ACI, 37 percent work in Partnership jobs.

## How does a business become a Contract Partner?

Prospective Contract Partners and ACI work together to determine the compatibility between the vision of the company and the mission of the Department of Corrections. — ACI and the Contract Partner conduct a review of space, layout, location, and labor requirement. — To ensure the safety of the public, staff, and inmates, the Department provides specialized training in working with inmates to Contract Partner employees who will have direct contact with inmate workers.

### What is a PIE Program?

*Prison Industry Enhancement (PIE) Certified Programs* are a specific type of Private Sector Partnership. — The Arizona Department of Corrections is certified by the U.S. Department of Justice to develop and manage PIE programs. Through this certification, ACI is authorized to establish contracts with private companies to employ inmates in the manufacture of goods and products for interstate commerce. — In addition to the wage deductions previously noted for Public and Private Sector Partnerships, inmates employed in PIE programs also pay federal and state, social security, and medicare taxes. In accordance with further requirements for PIE programs, ACI coordinates with local private businesses and any appropriate labor groups to ensure that the proposed Partnership preserves fair competition and does not displace free-world workers.

*“We want to follow the rules. We understand what the prison is trying to do. We want to coincide and co-exist with the prison.”*  
**Contract Partner**

*“Arizona Correctional Industries is the pinnacle of the inmate labor program for the Arizona Department of Corrections. Not only does it facilitate public and private sector partnerships, it provides a ‘real world’ work ethic opportunity to prepare an inmate for his/her eventual return to society with the means to resume a law-abiding life style.”*

**Charles L. Ryan , Deputy Director, Prison Operations**

## **H**ow are inmates selected for the jobs?

Public safety is the overriding factor in assigning inmates to these programs. Selection of inmate workers is a cooperative effort between the Contract Partner and the Department of Corrections. — The Contract Partner identifies the skills, knowledge, and experience necessary for the position. — The Department reviews such factors as disciplinary history, educational level, work experience, and evaluations in assessing each inmate applicant. Variables such as offense, sentence length, time served, and criminal history are automatically taken into account through the inmate classification system. The Department then develops a pool of candidates who meet the Contract Partner’s job qualifications and the Department of Corrections’ security criteria. — Inmates are interviewed and selected by the Contract Partner.

*“There is a job to do, and there is a responsibility to do it the right way. It’s more like a real world job. There is a lot of trust involved here. We can interact with other people. Here you work with a variety of different people - a very diverse group.”*

**Inmate Worker**



Televerde

## **W**hat are the benefits of these Partnerships?

— **Contract Partners** gain a dependable, reliable work force, enabling them to focus on running their business.

— **Inmate workers** have the opportunity to learn marketable job skills, to develop sound work habits, and to enhance their self-confidence. Upon release, they are better prepared to succeed. Through their mandatory financial contributions, inmate workers have taken financial responsibility for themselves and for their families.

— **Institutional administrators** benefit from the impact of stringent selection criteria associated with Partnership jobs. To be assigned to one of these premium positions, inmates must consistently display and maintain the highest standards of behavior and attitude at the institution and at the work-site. These inmates are not only easier to manage, but they serve as role models for the rest of the inmate population.

— The **State of Arizona** realizes economic benefits from ACI Public and Private Sector Partnerships. The mandatory deductions/contributions from inmate wages relieve taxpayers of some of the expense of incarceration. Public agencies that use inmate workers are able to provide greater services without significant increases in taxpayer support. Finally, these Partnerships reward Arizona businesses by furnishing them with a dedicated, reliable work force.



Custom Door Manufacturer

*"I love this job! I'm learning different job skills and building self-esteem. The reason people come back [to prison] is that they don't have any job skills, so they go back to what they are used to: prostitution, selling drugs, robbery, theft — crime. With this job, you have a purpose, you're worth something. When you're looking for a job after you've been in prison for a long time, how do you explain where you've been? I have something to put on an application. With this job, I can say, 'Look what I've done!'"*

**Inmate Worker**

*"It has helped us a great deal. . . . tremendously. We don't have to spend time training people over and over and over again. This program is a win for us, a win for the prison, and a win for the inmates. You can't beat it!"*

**Contract Partner**

*"These guys are better than any crew I've worked with on the streets."*

**Contract Partner**



Solar Industries



Hickman's Egg Ranch



Arizona Department of Transportation  
Motor Vehicle Division Call-In Center

## **W**hat is ACI's vision for Public and Private Sector Partnerships?

ACI is committed to the continued growth of these inmate work programs. ACI's full-time Business Development Unit is dedicated 100 percent to providing support to current Contract Partners and to working with new and varied Partnerships. — ACI recognizes the tremendous potential of these Partnerships and is focused on pursuing that potential as a value-added partner, to the benefit of Arizona private businesses, the Arizona Department of Corrections, and the State of Arizona.

*"The ADOT Motor Vehicle Division has now been in partnership with Arizona Correctional Industries in the operation of our Inmate Call Center program for over four years. We now operate three successful call centers . . . . This year, we have extended our partnership to include an inmate worker program that supports the Division's Renew-by-Mail Program. Once again, ACI and MVD are a winning team! We look forward to a long and continually expanding partnership between ACI and ADOT/MVD in meeting our customer service goals for the citizens of the State of Arizona."*

**Contract Partner**

*"We're looking to expand operations and open a new facility. We'll employ more inmates and increase the workload. This is more than just a job. Inmates learn marketable skills. The job opens up opportunity. When they "graduate," there are opportunities for them at our corporate office. The best and brightest stay with us for a long time."*

**Contract Partner**

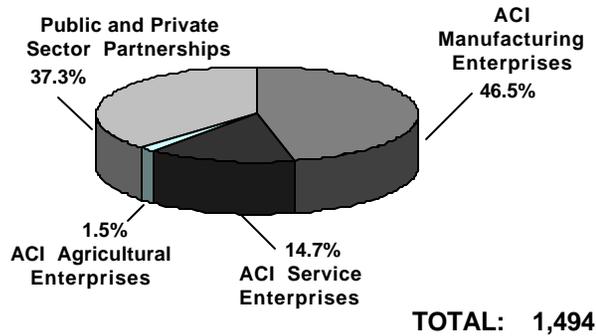
*"Collaborative work programs which partner private sector business opportunities with an inmate work force are a positive addition to inmate programming options. . . . , are a valuable prison management tool, as well. The wage incentive provides an excellent motivator for positive inmate behavior. Joint venture work programs that are established within the secure perimeter of a facility have the added benefits of decreased security risks, lower staffing requirements than off-site programs, and provide for legitimate work opportunities for inmates that may otherwise not be able to participate in an off-site work program. These programs are positive for the business owners, the inmates, prison administrators, and the general public as well."*

**Warden**

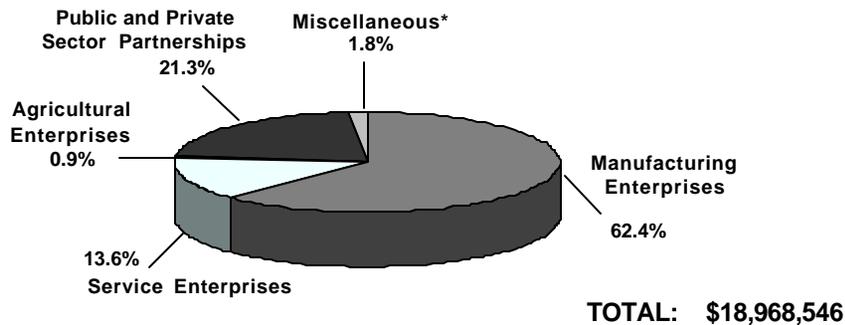
**D**uring Fiscal Year 2000, approximately 63 percent of the inmates employed by ACI worked in ACI Owned-and-Operated Prison Industry Enterprises. ACI's 21 Owned-and-Operated Enterprises provide inmates with the opportunity to obtain skills and work experience in a variety of manufacturing, service, and agricultural trades and professions.

Inmates employed by ACI Owned-and-Operated Enterprises worked a total of 1,399,987 hours during Fiscal Year 2000.

**TOTAL INMATES EMPLOYED**  
IN ALL OPERATIONS  
(Monthly Average)



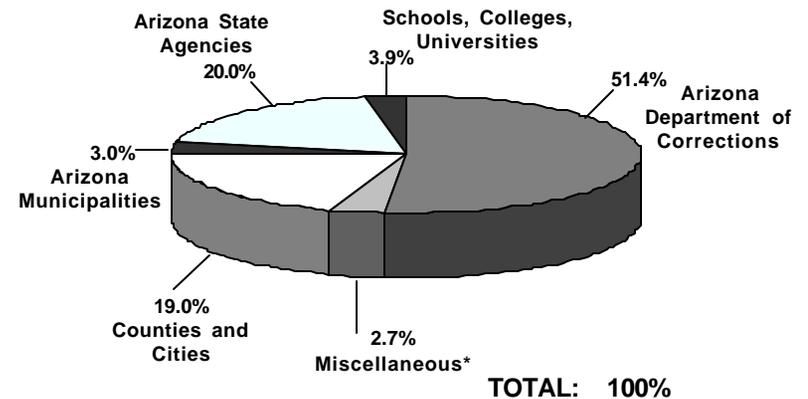
**REVENUES**  
BY OPERATION



\*Includes such sources as interest income and scrap.

ACI Owned-and-Operated Prison Industry Enterprises are primarily directed toward saving taxpayer dollars directly by offering a wide selection of quality products and services to meet the needs of the Arizona Department of Corrections and other public agencies.

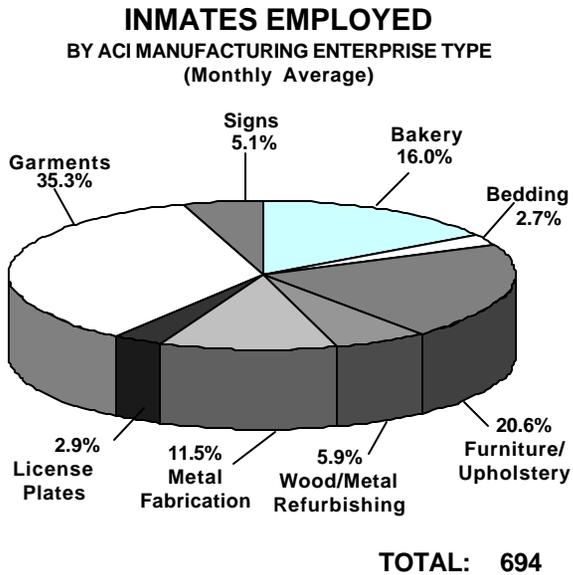
**MARKET PROFILE**  
BY CUSTOMER



\*Includes nonprofit and charitable organizations.

## ACI Owned-and-Operated Manufacturing Enterprises

**Manufacturing enterprises** involve the production of goods by inmates. Inmates engaged in ACI manufacturing enterprises during FY 00 accounted for approximately 47 percent of all inmates employed by ACI. Manufacturing enterprises also represented approximately 62 percent of ACI revenues during FY 00.



**Bedding:** ACI's bedding factory manufactures a full line of mattresses and other bedding products for the Arizona Department of Corrections, as well as other state and local correctional agencies. The operation also provides bedding products for correctional agencies outside of Arizona. In addition, the division manufactures specialty items such as tear-resistant blankets, web belts, laundry bags, and transport baggage.



**Garments:** ACI operates two garment manufacturing factories. The sewing operations provide a full line of clothing and flat goods for the Arizona Department of Corrections, as well as other state and local agencies, private prisons, and various political subdivisions of the state.

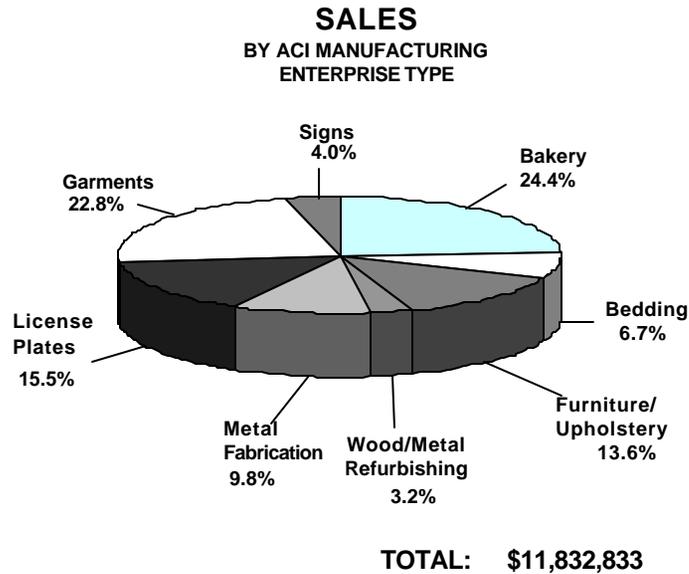


**Bakery:** The ACI bakery was established in April 1996. Today this prison industry operation produces and delivers bakery products for all Departmental prisons throughout Arizona.

**License Plates:** ACI's License Plate operation manufactures, warehouses, and distributes state license plates for the Motor Vehicle Division of the Arizona Department of Transportation. The plate factory also manufactures state license plates for other states, in addition to novelty and specialty plates for individual and organizational customers.

# OPERATIONS PROFILE:

## ACI Owned-and-Operated Prison Industry Enterprises



**Signs:** ACI's sign factory produces a complete line of regulatory and Americans with Disabilities Act (ADA) signage. The factory also has the capability of manufacturing any assortment of custom signs. In addition, this operation creates and manufactures emergency and non-emergency vehicular decals, seals, and other specialty sign requirements for a wide variety of customers, including federal, state and local jurisdictions. In recent years, the sign operation has also gained significant recognition as a high-quality source for plaques, name plates, and silk screening.

**Metal Fabrication:** ACI's metal fabrication plant manufactures an unrestricted line of metal products including detention furniture, custom steel furniture, industrial/park barbecues, construction components, bicycle racks, trash containers, park and recreation equipment (such as tables and benches), and other metal products.



**Wood/Metal Refurbishing:** ACI provides refurbishing services for the rehabilitation and refinishing of all wood and metal products as an economical alternative to buying new.



**Furniture:** ACI operates two major furniture manufacturing factories and a kit manufacturing and upholstery plant. These operations provide a full range of furniture and case goods from standard products to custom-made furniture. ACI's upholstery operation provides re-upholstery services for furniture and vehicular seating. Similar to wood/metal refurbishing, this operation also offers an economical alternative to ACI customers.

## *ACI Owned-and-Operated Service Enterprises*

**Service enterprises** provide services to both ACI and ACI customers. Of the total number of inmates employed by ACI during FY 00, nearly 15 percent were engaged in service enterprises. These activities contributed approximately 14 percent of all ACI revenues during FY 00.

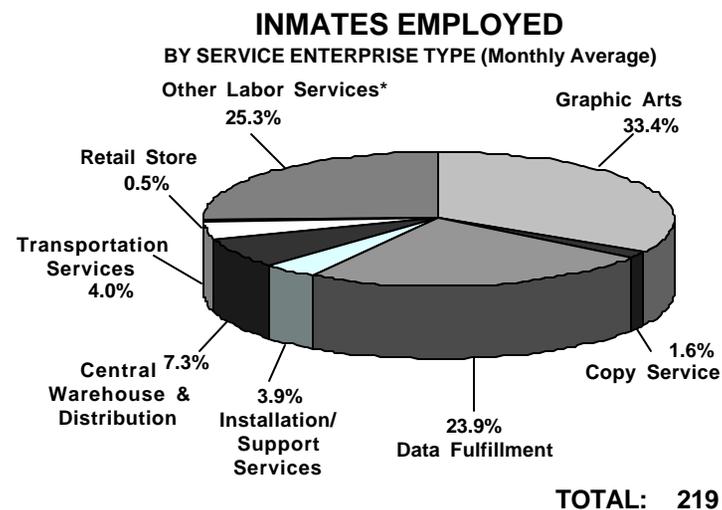


**Installation/Support Services:** Based at ACI's Central Office in Phoenix, ACI operates three self-contained Installation/Support Service Teams that provide state-wide installation/support services for ACI-manufactured furniture, millwork, and modular office systems. The teams also provide warranty work and other selected services for customers. This operation results in direct savings to ACI and/or its customers, as the services provided by these teams were previously subcontracted at considerable expense.

**Retail Store:** The retail store is an ACI-operated retail outlet that features hand-crafted items produced by Arizona inmates, as well as ACI-manufactured products. The prison outlet also provides a means of selling hobby crafts produced by inmates incarcerated in prisons located in Arizona, but not operated by the Arizona Department of Corrections.

**Graphic Arts:** ACI's Graphic Arts Division is a mid-size, full-service commercial printing operation that provides offset printing services to all state, county, and municipal agencies located in Arizona. The division also provides valuable services to other tax-supported and not-for-profit organizations located in the state.

**Copy Service:** Operating as an off-site extension of the Graphic Arts Division, the ACI Copy Service is purposefully located at the Department of Corrections' Central Office near the State Capitol and other state agencies to provide quick and economical photocopying and bindery services.



*\*Includes clerical and administrative jobs for areas that do not generate revenue in ACI's Central Office, regional operations centers, and maintenance.*

## OPERATIONS PROFILE:

## ACI Owned-and-Operated Prison Industry Enterprises

**Data Fulfillment:** ACI's Data Fulfillment Center offers customers in both the public and private sectors a wide range of data fulfillment services. These services include data entry, telephone verification (telemarketing), microfilming, assembly, imaging, and other related services. ACI uses state-of-the-art technology and equipment to ensure complete protection of the information processed by this operation.



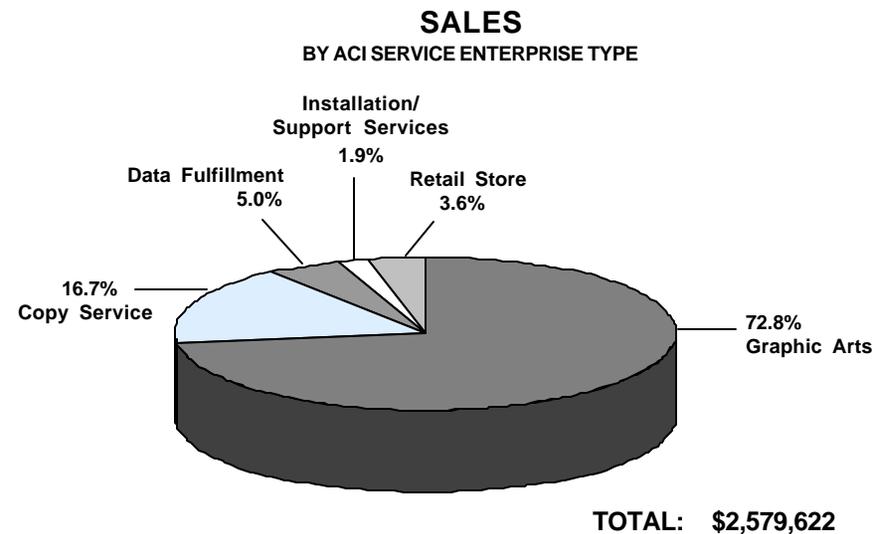
**Central Warehousing:** ACI's Materials Management Center operates and controls the receiving, warehousing, and distribution of raw materials and finished goods at several facilities, totaling more than 100,000 square feet throughout the state.



**Transportation Services:** ACI operates a fleet of trucks and other vehicles used in the distribution of raw materials and finished goods to and from ACI industry operations located throughout Arizona. This service unit operates under the control of the Materials Management Center.

### ACI Owned-and-Operated Farm

The ACI owned-and-operated agricultural enterprise consists of approximately 750 acres of tillable land that has been set aside for use as a farm. Employing nearly 2 percent of ACI inmate workers, the farm contributes approximately 1 percent to overall ACI revenues. The farm is managed as a year-round operation that produces crops of wheat, alfalfa, maize, and Eldarica Pines.



*Warehouse, transportation, and other labor services have been omitted because they do not involve sales.*

**FISCAL YEAR 2000**

**FINANCIAL STATEMENT**

**ARIZONA CORRECTIONAL INDUSTRIES**

**UNAUDITED FINANCIAL STATEMENT**

**June 30, 2000 and 1999**

**STATE OF ARIZONA  
DEPARTMENT OF CORRECTIONS  
ARIZONA CORRECTIONAL INDUSTRIES**  
Balance Sheet-Enterprise Fund  
June 30, 2000 and 1999

<b>Assets</b>	<u>2000</u>	<u>1999</u>
Current Assets:		
Cash in bank and on hand	\$61,832	\$21,799
Cash on deposit with State Treasurer	6,555,121	4,112,358
Accounts receivable	2,578,355	3,192,769
Interest receivable	65,334	30,186
Due from other funds	—	8,941
Inventories	2,548,263	3,317,418
Prepaid expenses	<u>17,775</u>	<u>24,337</u>
Total current assets	11,826,680	10,707,808
Property, plant, and equipment, net	3,413,359	3,476,553
Advances to other funds	<u>—</u>	<u>45,646</u>
Total assets	<u>\$15,240,039</u>	<u>\$14,230,007</u>
 <b>Liabilities and Fund Equity</b> 		
Current liabilities:		
Accounts payable	\$1,532,794	\$887,010
Accrued payroll and employee benefits	61,093	6,381
Accrued compensated absences	182,115	175,967
Other accrued liabilities	<u>61,808</u>	<u>185,204</u>
Total current liabilities	<u>1,837,810</u>	<u>1,254,562</u>
Total liabilities	<u>1,837,810</u>	<u>1,254,562</u>
Fund equity:		
Contributed capital	2,447,179	2,434,288
Contributed land and buildings	732,707	732,707
Retained earnings	<u>10,222,343</u>	<u>9,808,450</u>
Total fund equity	<u>13,402,229</u>	<u>12,975,445</u>
Total liabilities and fund equity	<u>\$15,240,039</u>	<u>\$14,230,007</u>

**STATE OF ARIZONA  
DEPARTMENT OF CORRECTIONS  
ARIZONA CORRECTIONAL INDUSTRIES  
Statement of Operations and Changes in Fund Equity - Enterprise Fund  
Year Ended June 30, 2000 and 1999**

	2000	1999
Sales	\$18,619,358	\$16,703,169
Cost of goods sold	16,127,602	14,641,204
Gross profit	2,491,756	2,061,965
Operating expenses:		
Selling	408,947	424,738
General and administrative	1,012,942	962,529
Total operating expenses	1,421,889	1,387,267
Operating income	1,069,867	674,698
Nonoperating income	344,026	172,589
Net income	1,413,893	847,287
Fund Equity, July 1	12,975,445	13,107,577
Increase in Contributed Capital - Donated Equipment	12,891	20,581
Fund Equity Transfer Out to State General Fund	(1,000,000)	(1,000,000)
Fund Equity, June 30	\$13,402,229	\$12,975,445

**STATE OF ARIZONA  
DEPARTMENT OF CORRECTIONS  
ARIZONA CORRECTIONAL INDUSTRIES  
Statement of Cash Flows - Enterprise Fund  
Year Ended June 30, 2000 and 1999**

	2000	1999
Cash flows from operating activities:		
Operating income	\$1,069,867	\$674,698
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	720,869	671,639
Changes in assets and liabilities:		
Accounts receivable	614,414	8,432
Due from other funds	—	417,500
Inventories	769,154	271,626
Prepaid expenses	6,562	61,018
Accounts payable	645,784	248,989
Accrued payroll and employee benefits	54,712	(7,550)
Accrued compensated balances	6,148	9,406
Other accrued liabilities	(123,396)	122,433
Deferred revenues	—	(13,417)
Net cash provided by (used for) operating activities	3,764,114	2,464,774
Cash flows from noncapital financing activities:		
Cash paid to other funds	(1,000,000)	(1,000,000)
Proceeds from sale of scrap and other miscellaneous items	44,665	18,177
Net cash provided by (used for) noncapital financing activities	(955,335)	(981,823)
Cash flows from capital and related financing activities:		
Acquisition and construction of property, plant, and equipment	(649,946)	(530,214)
Net cash used for capital and related financing activities	(649,946)	(530,214)
Cash flows from investing activities:		
Interest receipts on investments	323,963	172,819
Net cash provided by investing activities	323,963	172,819
Net increase (decrease) in cash	2,482,796	1,125,556
Cash, July 1	4,134,157	3,008,601
Cash, June 30	\$6,616,953	\$4,134,157
Cash, June 30, consists of:		
Cash in bank and on hand	61,832	21,799
Cash on deposit with State Treasurer	6,555,121	4,112,358
Total	\$6,616,953	\$4,134,157



## MISSION

- To make available within the state correctional institutions opportunities for employment of inmates in jobs which combat idleness and develop good working habits.
- To provide training and work experience that will assist inmates in eventually securing and holding gainful employment outside the correctional institution.
- To reduce the cost to society of maintaining an inmate through the sale of inmate-produced goods and services and by requiring and enabling inmates to pay some portion of their room and board costs.
- To require and enable inmates to make restitution to the victims of their offenses, so as to assist the inmates in accepting responsibility for the consequences of their acts.
- To require and enable inmates to provide assistance to their dependents, thus tending to strengthen family ties.
- To require and enable inmates to accumulate savings for their eventual return to the community.

## VISION

*ACI's compelling vision is to maintain its momentum of successfully accomplishing legislative and departmental objectives while integrating and balancing strategic plans with the necessity to be a purely "customer-driven" organization that serves all of its customers as a quantifiable value-added partner.*